

# ***VA Home Loan Program***

## ***Lender Training Guide***

***DEPARTMENT OF VETERAN AFFAIRS  
ST. PETERSBURG, FLORIDA***

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# Loan Production

## Address

### **Overnight Delivery Only:**

Department of Veterans Affairs  
Regional Loan Center  
9500 Bay Pines Blvd.  
St. Petersburg, FL 33708

### **Mailing address for Prior Approvals/Quality Packages:**

ATTN: Loan Production/262  
P.O. Box 1437  
St. Petersburg, FL 33731

## Telephone Number

**1-800-827-1000 Ext. 7500 In Florida**  
**1-888-611-5916 Outside Florida**

## Facsimile Number

**727-319-7763**

## Internet Site

<http://www.homeloans.va.gov>

**The Florida Regional Loan Center handles the functions of Construction & Valuation for Florida & Alabama; and handles the functions of Loan Production and Loan Administration for Florida, Alabama & Mississippi. Each Regional Office handles the function of Property Management for its respective state.**

<b>Regional Office</b>	<b>Construction and Valuation</b>	<b>Property Management</b>
<b>St. Petersburg, FL</b>	<b>727-319-7500</b>	<b>727-319-7500</b>
<b>Montgomery, AL</b>	<b>888-611-5916</b>	<b>334-213-3386</b>
<b>Jackson, MS</b>	<b>601-364-7102</b>	<b>601-364-7112</b>



## **A BRIEF HISTORY OF VA**

In 1776 the Continental Congress sought to encourage enlistment in the military and curtail desertions with the nation's first pension law. Only 3,000 Revolutionary War veterans ever drew pensions. Grants of public land were made to those who served to the end of the war.

The General Pension Act of 1862 provided disability payments and liberalized benefits for widows, children and dependent relatives. Union veterans were assigned a special priority in the Homestead Act of 1862, which provided Western lands at \$1.25 an acre.

In 1924, the World War Adjusted Compensation Act, also known as the Bonus Act, was enacted. The law provided a bonus that depended upon the number of days the veteran served. All veterans whose service exceeded 50 days were given 20-year paid-up endowment life insurance certificates, payable in 1945. Many veterans, however, wanted to be paid the entire bonus immediately. An estimated 15,000 to 40,000 veterans, known as the Bonus Expeditionary Force, converged on Washington, DC, in May of 1932 to lobby for immediate payment. Failure by Congress to pass this proposal resulted in many veterans and their families building shanties in Southeast Washington. Congress finally passed the measure in 1936 and granted veterans a lump-sum payment.

The Servicemen's Readjustment Act, (GI Bill of Rights), which dramatically transformed the concept of veterans benefits, was signed into law by President Franklin D. Roosevelt on June 22, 1944. This benefit provided veterans with federally guaranteed home, farm and business loans with no down payment. This feature was designed to generate jobs in the housing industry while providing housing and assistance for veterans and their families. Veterans could apply for loans up to \$2,000, with 50 percent guaranteed by the government.

The GI Bill transformed the economy and society of the United States. In 1950, a 1200-acre potato farm in Long Island was transformed into a suburban community known as Levittown. The dream of home ownership became a reality for millions of veterans and their families. The GI Bill contributed more than any other program in history to the welfare of veterans and their families, and to the growth of the nation's economy. VA's loan guaranty program has benefited more than 15 million veterans and dependents since 1944 when this program was established as part of the original GI Bill.

The United States leads the world in caring for its military veterans. The Department of Veterans Affairs (VA) administers billions of dollars annually in federal benefits for military veterans and their dependents. With more than 250,000 employees, VA is second in size only to the Defense Department among federal agencies.

*"... to care for him who shall have borne the battle and for his widow, and his orphans."*

**Abraham Lincoln**



This booklet is a simplified guide for use by participants attending training seminars. Each lender should have a copy of the Lender Handbook, VA pamphlet 26-7, which is the official guideline for processing and underwriting VA loans.

## GENERAL RULES FOR ELIGIBILITY

A veteran is eligible for VA home loan benefits if he or she has served on active duty and was discharged under conditions other than dishonorable after:

- 90 days or more during wartime, **OR**
- 181 continuous days or more during peacetime prior to 09/08/80.

2-Year Requirement: A greater length of service is required for a veteran who:

- enlisted after September 7, 1980, **OR**
- was an officer **AND** began service after October 16, 1981.

These veterans must have completed either:

- at least 24 continuous months, **OR**
- the full period ordered to active duty, (not less than 90 days during wartime, or 181 days during peacetime).

<u>PERIOD</u>	<u>DATES</u>	<u>TIME REQUIRED</u>
WW II	9/16/40 - 7/25/47	90 Days
Post-WW II	7/26/47 - 6/26/50	181 Days
Korean Conflict	6/27/50 - 1/31/55	90 Days
Post-Korean Conflict	2/01/55 - 8/04/64	181 Days
Vietnam Era	8/05/64 - 5/07/75	90 Days
Post-Vietnam Era	5/08/75 - 8/01/90	181 Days
Persian Gulf War	8/02/90 - present	2 years, or the full period called to active duty (at least 90 days).

### **RESERVES/NATIONAL GUARD**

The veteran must complete a total of 6 years in the Selected Reserves or National Guard with an honorable discharge and not be otherwise eligible. Eligibility under this program *expires September 30, 2009*, unless extended by Congress.

### **ACTIVE DUTY SERVICE PERSONNEL**

A member of the military that is currently serving on active duty is eligible after having served on continuous active duty for at least 181 days (90 days during the Gulf War period) unless discharged or separated from a previous qualifying period of active duty service.

### **ALL OTHERS**

Eligibility may be established for certain other individuals, such as the Unmarried Surviving Spouse of a veteran who died while in service or from a service connected disability, Merchant Marines, Public Health Service, WAC'S and other World War II Services, and Officers of the Coast and Geodetic Survey.

*Contact your local VA office for further information regarding the above classifications.*

## **HOW TO OBTAIN A CERTIFICATE OF ELIGIBILITY**

- The veteran completes *VA Form 26-1880, Request For A Certificate Of Eligibility For VA Home Loan Benefits*. The application must be signed and dated.
- Attach a copy of DD214 Discharge Papers. Active duty personnel will need to furnish a Statement of Service letter issued by, or by direction of, the adjutant, personnel officer, or commander of the unit in place of the DD214.
- Mail the completed application and a copy of Discharge Papers to the Winston-Salem Eligibility Center for processing.

**Note:** Discharge Papers must be included with application. If not available, the veteran can obtain them by contacting their branch of service. (See next page for contact information.)

### **VA ELIGIBILITY CENTERS**

#### **Los Angeles Eligibility Center**

PO Box 240097  
Los Angeles, CA 90024  
888-487-1970 (8:30-3:30 PST)  
<http://www.vahomes.org/la/home.htm>

#### *Overnight Delivery*

Department of Veterans Affairs  
LA Eligibility Center (344/263)  
11000 Wilshire Blvd., 3<sup>rd</sup> Floor  
Los Angeles, CA 90024

#### **VA Eligibility Center**

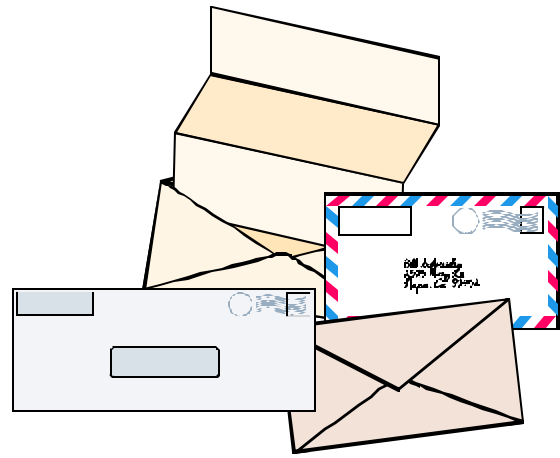
PO Box 20729  
Winston-Salem, NC 27120  
888-244-6711 (8:00-4:00 EST)

#### *Overnight Delivery*

Veterans Affairs Regional Office  
251 N. Main Street  
Winston-Salem, NC 27155

**Note:** All Requests for Certificates of Eligibility are processed by one of the two offices listed above. See Appendix pg. 54 for a state-by-state listing.





## MILITARY RECORDS CENTERS

If a veteran needs to obtain copies of discharge/separation papers needed to apply for home loan benefits, for all branches contact: 314-538-4141

The SF 180 form to request discharge papers can be found at:

<http://www.nara.gov/regional/mprsf180.html>

## PERSONNEL RESERVE CENTERS

If a reservist needs to obtain copies of point statements or other documentation that reflects six years participation with evidence of honorable discharge needed to apply for home loan benefits, contact:

Branch	Type of Form		Telephone
Army/ Air National Guard	NGB 22	Report of Separation and Record of Service	(314) 592-0123
Army Reserve	DARP FM 249-2E	Chronological Statement of Retirement Points	(314) 592-0123
Navy Reserve	NRPC 1070-124	Annual Retirement Point Record	(800) 966-9174
Air Force Reserve	AF 526	Point Summary Sheet	(800) 525-0102, ext. 71388
USMC Reserve	NAVMC 798	Reserve Retirement Credit Report	(504) 678-8615
Coast Guard Reserve	CG 4174	USCG Reserve Retirement Points Statement	(202) 267-0544 enlisted, (202) 267-0556 officer



## **RESTORATION OF ENTITLEMENT**

*(Lender's Handbook, section 2.06)*

To qualify for restoration of entitlement, one of the following requirements must be met:

- The prior VA loan must be paid in full and/or the property disposed of, **OR**
- The prior VA loan must have been assumed by an eligible veteran who substituted his/her entitlement.

**Note:** Lenders should request restoration prior to closing the new loan. Lenders are also encouraged to research the veteran's prior loans to confirm those loans using VA entitlement.

## **DOCUMENTS REQUIRED FOR RESTORATION**

- VA Form 26-1880, completed, signed and dated by the veteran.
- Evidence that previous loan is paid in full.
- Previously issued Certificates of Eligibility.
- Proof of Service

## **SPECIAL ONE - TIME RESTORATION**

*Home loan entitlement may be restored one time only, if the veteran has repaid the prior VA loan in full, but has not disposed of the property securing the loan.*

After such a restoration, any future restoration will require the veteran to dispose of all property financed with a VA loan, including the property not disposed of under the "one time only" exception.

Documentation requirements are the same as those listed above.

## **DIVORCE CASES**

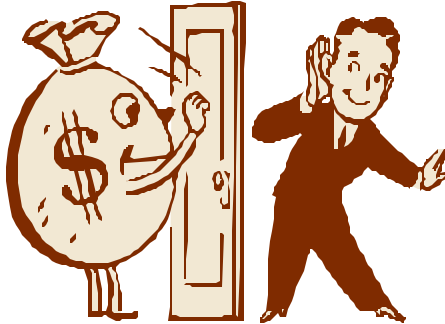
When property is awarded to the veteran's spouse as a result of divorce, entitlement **cannot** be restored **unless** the spouse refinances the property and/or pays off the VA loan in full or the ex-spouse is a veteran who substitutes their entitlement.

## **MAXIMUM LOAN AMOUNT**

*(Lender's Handbook, section 3.03)*

Unlike other home loan programs, there are no maximum dollar amounts prescribed for VA guaranteed loans. Limitations on VA loan size are primarily attributable to two factors:

1. The reasonable value of the property shown on the Certificate of Reasonable Value (CRV) or Notice of Value (NOV), **AND**
2. The lender's requirements in terms of the secondary market. The Government National Mortgage Association (GNMA) currently limits the size of VA loans acceptable for its program to \$240,000.



## **EXCEPTIONS TO THE “NO DOWN PAYMENT” RULE**

Yes, there are several exceptions:

- If the purchase price exceeds the reasonable value of the property, a down payment covering the difference must be made in cash from the borrower's own resources.
- VA requires a down payment on all Graduated Payment Mortgages (GPMs).
- If a veteran has less than full entitlement available, a lender may require a down payment in order to make the veteran's loan meet GNMA or other secondary market requirements.

The “rule of thumb” for GNMA is the VA guaranty, or a combination of VA guaranty plus down payment, must cover at least 25% of the loan. To determine the exact GNMA requirements, please contact GNMA directly.

## **ELIGIBLE LOAN PURPOSES**

*(Lender's Handbook, CH. 3, section 3.02)*

Eligible veterans may obtain loans to:

- Purchase an existing home.
- Build a home.
- Simultaneously purchase and improve a home.
- Refinance an existing mortgage loan.
  - Cash-out refinance.
  - Interest rate reduction refinance.
  - Convert an adjustable rate mortgage to a fixed rate.
- Improve a home by installing energy-related features.
- Purchase a multi-unit dwelling up to 4 units.



## INTEREST RATE REDUCTION REFINANCING LOANS (IRRRL)

*(Lender's Handbook, section 6.01)*

A veteran who obtained a VA loan may refinance it with a VA guaranteed loan at a lesser interest rate without using additional entitlement.

**Note:** *IRRRLs can only be used to refinance existing VA guaranteed loans.*

- The new loan must be at a lesser interest rate than the old VA loan **except** when refinancing an existing adjustable rate mortgage with a new fixed rate mortgage.
- The dollar amount of guaranty applicable to the prior VA loan is transferred to the new loan.
- The minimum guaranty on an IRRRL is 25%.
- If the existing loan is delinquent, the IRRRL must be submitted to VA for prior approval.
- Although no underwriting is required, approval of new credit may be required by the trustee in a Chapter 13 bankruptcy.
- No appraisal is required.
- The veteran may not obtain cash proceeds.
- No portion of the loan proceeds may be used to pay off other debts.
- The new loan is limited to the balance of the old loan, the funding fee, up to \$6,000 of energy efficient improvements, and allowable closing costs including not more than 2 discount points.
- The term of an IRRRL may not exceed the original term of the loan being refinanced by more than 10 years, not to exceed 30 years.
- The veteran, including active-duty service members stationed elsewhere, is able to satisfy the occupancy requirement by certifying prior occupancy.
- If the veteran whose entitlement was previously used has died, and the surviving spouse was a co-obligor, that spouse is considered a veteran for the purpose of the IRRRL.

## CASH OUT REFINANCING LOANS

*(Lender's Handbook, section 6.03)*

The loan is limited to 90% of the amount of the Certificate of Reasonable Value, plus the funding fee and the cost of any energy efficient improvements up to \$6,000.

- A cash-out loan may be made to refinance the outstanding balance of an existing mortgage lien, but can also include other debts (The first lien must be included in the refinance).
- The veteran can receive cash proceeds from the loan for any purpose acceptable to the lender.
- Existing mortgage loans or other liens of record may be refinanced whether they are in a current or delinquent status, but refinancing loans are subject to the same income and credit requirements as regular home loans.

Note: [The maximum guaranty is \\$36,000.](#)

## OTHER REFINANCING LOANS

*(Lender's Handbook, section 6.05)*

These consist of loans to refinance:

- Construction loans.
- Installment land sale contracts in conjunction with the construction of a new home.
- Loans assumed by veterans at interest rates higher than the proposed refinance.

These loans are similar to cash-out refinances in all aspects, **except the loan amount may not exceed the lesser of:**

- the VA reasonable value, plus the VA Funding Fee, **OR**
- the sum of the outstanding loan balance to be refinanced, plus allowable closing costs, including the VA Funding Fee and discounts.

## REFINANCE COMPARISON

	<b>Regular Cash-Out</b>	<b>IRRRL Rate Reduction</b>
<b>Statutory Authority</b>	38 USC 3710(a)(5)	38 USC 3710(a)(8)
<b>Entitlement Required</b>	Yes	No
<b>Cash to Veteran</b>	Yes	No
<b>Loan Limit</b>	90% of CRV plus funding fee (with certain exceptions)	VA loan balance plus allowable closing costs and funding fee (plus up to \$6,000 for energy efficient improvements)
<b>Must Veteran Own Property</b>	Yes	Yes
<b>Must Veteran Occupy Property</b>	Yes	No, (must have once occupied)
<b>Maximum Loan Term</b>	30 years + 32 days	Existing VA loan term plus 10 years not to exceed 30 years and 32 days
<b>Maximum Interest</b>	Negotiated Rate	Rate must be lower than rate on present VA loan (unless refinancing ARM to fixed rate)
<b>Lien of Record Required</b>	Yes	Yes
<b>OK to Refinance Other Liens</b>	Yes	No
<b>Appraisal Required</b>	Yes	No
<b>Credit Package Required</b>	Yes	No, (Unless delinquent)
<b>OK for Automatic Processing</b>	Yes, Automatic lenders	Yes, all lenders unless existing VA loan is delinquent



## ENERGY EFFICIENT MORTGAGES

*(Lender's Handbook, section 7.03)*

Energy Efficient Mortgages are loans for:

- The acquisition of an existing dwelling, and the cost of making energy efficiency improvements to the dwelling,
- Refinancing an existing VA loan with an IRRRL and including efficiency improvements,
- Energy efficiency improvements to a dwelling already owned and occupied by a veteran.

The mortgage may be increased by:

- up to \$3,000 based solely on the documented costs of the energy improvements; **OR**
- up to \$6,000 provided the increase in the monthly mortgage payment does not exceed the likely reduction in monthly utility costs; **OR**
- more than \$6,000 subject to a value determination by VA.

VA will guarantee an energy efficient mortgage in the same proportion as a loan not including energy efficiency improvements. However, the charge to the veteran's entitlement will be based upon the loan amount before adding the cost of energy efficiency improvements.

The funding fee **must be** calculated on the full loan amount, including the cost of the energy efficiency improvements.

## **JOINT LOANS**

*(Lender's Handbook, section 7.01)*

A joint loan refers to a loan made to a veteran and another person (s). All parties will be liable, and all will own the property.

A joint loan is made to:

- A veteran and one or more non-veterans (other than the spouse).
- A veteran and one or more veterans (not including a spouse) who will not be using entitlement.
- A veteran and the veteran's spouse, who is also a veteran, where both entitlements will be used.
- A veteran and one or more other veterans (not including a spouse), all of who will use their entitlement.

*Guaranty is limited to that portion of the loan allocable to the veteran's interest in the property. Potential maximum guaranty is calculated based on the total loan amount and cannot exceed \$60,000, even if the available entitlement of the veterans involved adds up to a greater amount.*

Any person who uses entitlement on a joint loan must certify intent to personally occupy the property as his/her home.

## **GEOGRAPHICAL LIMITS**

A VA guaranteed loan may be used to secure real property located in the United States, its territories, or possessions ( Puerto Rico, Guam, Virgin Islands, and American Samoa).

## **OCCUPANCY**

The veteran must certify that he or she intends to personally occupy the property as his or her primary residence.

For an IRRRL, the veteran must only certify that he or she previously occupied the property.





## LOANS THAT REQUIRE PRIOR APPROVAL

*(Lender's Handbook, section 1.01)*

**All lenders**, whether or not they have automatic authority, **must submit** the following types of loans to VA for prior approval:

- Any joint loan where title to the property will be held by the veteran and any person other than the veteran's spouse.
- Loans to veterans in receipt of VA non-service-connected pension.
- Loans to veterans rated incompetent by VA.
- Interest Rate Reduction Refinancing Loans (IRRRLS) made to refinance delinquent VA loans.
- Unsecured loans, or loans secured by less than a first lien.



## **GUARANTY**

(Lender's Handbook, section 3.04)

### **AMOUNT OF GUARANTY**

The maximum guaranty on a VA Loan is the *lesser* of:

- The veteran's available entitlement indicated on the COE, **OR**
- The maximum potential guaranty amount from the table below:

<b>LOAN AMOUNT</b>	<b>LOAN TYPES</b>	<b>MAXIMUM POTENTIAL GUARANTY</b>	<b>SPECIAL PROVISIONS</b>
<b>Up to \$45,000</b>	All	50% of the loan amount	<b>Minimum</b> guaranty of 25% on IRRRLs
<b>\$45,001 to \$56,250</b>	All	\$22,500	<b>Minimum</b> guaranty of 25% on IRRRLs
<b>\$56,251 to \$144,000</b>	All	40% of the loan amount, with a <b>Maximum</b> of \$36,000	<b>Minimum</b> guaranty of 25% on IRRRLs
<b>Greater than \$144,000</b>	Must be for: <ul style="list-style-type: none"><li>• Purchase or construction of a home, OR</li><li>• Purchase of a condominium unit, OR</li><li>• Refinancing with an IRRRL</li></ul>	25% of the loan amount, with a <b>Maximum</b> of \$60,000	<ul style="list-style-type: none"><li>• Cash-out refinances have a <b>Maximum</b> guaranty of \$36,000.</li><li>• <b>Minimum</b> guaranty of 25% on IRRRLs</li></ul>

**Note:** The basic \$36,000 entitlement is increased by up to \$24,000 for home purchase, construction and condominium loans in excess of \$144,000. This guaranty will not exceed 25% of the loan amount.

## REAL ESTATE APPRAISAL ASSIGNMENTS

VA regional offices will assign appraisals only to fee appraisers whose professional ability and past performance warrant retention on the current roster of designated fee appraisers and who have been designated to appraise for VA in the area in which the property is situated.

Favoritism or unfair discrimination in appraisal assignments is prohibited by Federal statute, which requires that assignments be made on a rotational basis. Lenders who request appraisals from VA may not circumvent this requirement.

Requests for assignment of a particular appraiser cannot be honored.

All requests for appraisal assignments must be ordered via the Internet at [vaas.vba.va.gov](http://vaas.vba.va.gov) or via telephone from the regional office where the property is situated, with the exception that Alabama appraisals are ordered from the St. Petersburg RLC. Please refer to the attached listing of Regional Loan Centers and Regional Offices. Requesters should become familiar with Chapter 10 of the Lenders Hand Book prior to requesting an assignment.



## **SPECIAL ADAPTED HOUSING PROGRAM**

### **Which veterans are eligible for the grant?**

Veterans who have service connected disability due to military service, entitling them to compensation for permanent and total disability due to:

- The loss or loss of use of both lower extremities, such as to preclude locomotion without the aid of braces, crutches, canes, or a wheelchair, or
- Disability which includes blindness in both eyes, having only light perception, plus loss or loss of use of one lower extremity, or
- The loss or loss of use of one lower extremity together with (1) residuals of organic disease or injury, or (2) the loss or loss of use of one upper extremity, which so affects the functions of balance or propulsion as to preclude locomotion without the aid of braces, crutches, canes, or a wheelchair.

### **What is the nature of the benefit?**

An eligible veteran may receive a VA grant of not more than 50 percent of the cost of a specially adapted housing unit up to a maximum of \$48,000.

### **How may the grant be used?**

- The veteran may elect to construct a home on land to be acquired for that purpose.
- The veteran may build a home on land already owned if it is suitable for specially adapted housing.
- The veteran may remodel the existing home if it can be made suitable for specially adapted housing.
- When the veteran has already acquired a specially adapted home (without the assistance of a VA grant), the grant may be applied against any unpaid balance of the cost of the home.

### **WHAT SHOULD A LENDER DO?**

Any veteran who indicates he is eligible or believes he may be eligible, should be referred to any VA office, preferably the VA office where the veteran's claim records are located. A determination will be made as to the veteran's basic eligibility and whether it is medically feasible for the veteran to reside in a specially adapted home.

The referral should be done prior to completing the loan application, ordering the appraisal, or the credit report. The determination process, if it has not been done, can take several weeks to complete.

## VA REPOSSESSED PROPERTIES

Properties owned by the Department of Veterans Affairs (VA) can be financed using the veterans entitlement. If the veteran is applying for a VA-guaranteed loan, upon request, VA will issue a CRV (Certificate of Reasonable Value) at VA expense. When the lender determines that the property is a VA REO (Real Estate Owned), they should contact the VA Property Management Section that has jurisdiction of the area where the property is located for assistance. See page 2 for phone numbers.





## **UNDERWRITING VA LOANS**

*(Lender's Handbook, Ch. 4)*

### **INCOME VERIFICATION**

- Verify a minimum of two years of employment (including previous jobs, if needed).
- Only verified income can be considered in qualifying for a VA loan.
- Income of a spouse who will be obligated on the loan must also be verified, if needed.

*Acceptable verification of employment consists of the following:*

- VA Form 26-8497, Request for Verification Of Employment (VOE), or any format that obtains the same information.
- All Verifications of Employment must be originals
- An original or certified copy of the applicant's pay stub, when furnished by the employer, must be provided.
- The employment verification should be compared with the pay stub for consistency

**Note:** The VOE and pay stub must not be more than 120 days old (180 days for new construction) for loans closed on the automatic basis.

### **ALTERNATE DOCUMENTATION**

*(Lender's Handbook, section 4.02.)*

- Telephone verifications should be obtained and be similar in content to the employment verification form. Phone verification should show the person contacted, their position, phone number, and date contacted.
- Furnish the original pay stub(s) covering the most recent 30-day period together with W-2 forms for the previous 2 years.
- Two verification companies, **VIE** and **TALX Corporation**, have been approved for use on VA loans.

**Note:** If documents are questionable in authenticity or consistency, or if the employer unwilling to provide a verbal verification, then a standard verification of employment is required.

Alternative documentation can be used in conjunction with verification of employment forms to meet the two-year coverage.

## ADDITIONAL SOURCES OF INCOME

*(Lender's Handbook, section 4.02)*

- Receipt of child support, alimony, or separate maintenance must be disclosed and verified to be considered when qualifying for the loan.
- In accordance with the Equal Credit Opportunity Act (ECOA), do not ask questions about the income of a spouse unless the spouse will be contractually liable or the applicant is relying on the spouse's income to qualify.
- In community property states, information concerning a non-purchasing spouse must be requested and considered in the same manner as for the applicant, even if the spouse will not be contractually obligated on the loan.
- Generally, income from a 2<sup>nd</sup> job should only be used after the applicant has 24 months experience of working two jobs.
- Generally, income from overtime or part-time work is not considered reliable unless the applicant has received this income for 2 years.
- Overtime and part-time earnings that have been received for at least 1 year can always be used to off-set intermediate debts with less than 24 months remaining.
- Seasonal income may be used under special circumstances. It is important to document the past history and the likelihood it will continue.
- Income from Worker's Compensation, Foster Care, Public Assistance, Social Security, Alimony, and Child Support may be considered if they have been verified as consistently paid and are likely to continue. Public assistance programs and Social Security must continue for a minimum of 3 years from the date of closing to be counted.

**Note:** Temporary income such as VA educational allowances and unemployment compensation do not represent stable and reliable income and as a general rule, are not to be considered as income.

## **INCOME FROM SELF-EMPLOYMENT**

*(Lender's Handbook, section 4.02)*

Generally, income from self-employment may be used when the applicant has been self-employed for at least 2 years.

- Copies of the past two years business or individual tax returns must be provided.
- The current year-to-date profit & loss statement, and balance sheets are required. These exhibits can be prepared by the business or the veteran, if adequate information is provided.
- Normal business expenses that can be "added-back" to the net profit or bottom-line figures include depreciation, business interest, and amortization of organizational fees (corporations).
- Business debts listing the name of a Sole-Proprietor on a Schedule C must be counted against the veteran on the loan analysis. The same applies to partnerships filed on IRS Form 1065. **Only corporate debts are exempt from the veteran's loan analysis.**
- For partnerships and corporations, furnish a list of the primary owners and their percentage in the business. This can usually be found on the K-1 Forms for partnership and sub-chapter S corporations, or on the 1120 Form, Schedule E for standard corporations.
- Taxable Income listed on the bottom of a corporate tax return (IRS Form 1120) may be divided by the veteran's percentage of ownership and then used as additional income (subject to tax).

## **INCOME FROM COMMISSIONS**

*(Lender's Handbook, section 4.02)*

When all or a major portion of an applicant's income is from commissions, a verification exhibit is needed. It must show the year-to-date commissions, the basis for computing commissions, and how frequently commissions are paid to the applicant.

- Commission income can be considered stable after the applicant has received it for two years.
- The prior two year's income tax returns must be provided with W-2s and 1099-MISC Forms. These individual returns must be complete with all schedules, signatures and dates included.

## **RENTAL INCOME**

*(Lender's Handbook, section 4.02)*

*Rental of the property applicant occupied prior to the new loan* is generally used to “off-set” the mortgage payment if there is a positive cash flow. A copy of the lease should be furnished. The debt should still be listed on the loan analysis, but shown as a “rental offset.”

### ***Rental Income from a Mult-Unit Property Securing the VA Loan***

- If the veteran is purchasing multi-family housing, he must provide evidence of a likely success as a landlord, copies of leases (if available), and evidence of cash reserves equaling 6 months of mortgage payments.
- Seventy-five percent of the anticipated rental income can be considered as qualifying income.

### ***Rental of Other Property Not Securing the VA Loan***

- Documentation of cash reserves totaling at least 3 months mortgage payments, and
- Individual income tax returns, signed and dated, plus all applicable schedules for the previous 2 years, which show rental income generated by the property.

*All of the conditions must be met to include rental funds in qualifying income.*

## **ACTIVE MILITARY INCOME VERIFICATION**

*(Lender's Handbook, section 4.02)*

- An original or certified copy of the applicant's Leave and Earnings Statement (LES) is required.
- Service members who are within 12 months of release from active duty or the end of their contract term require additional information.

**Note:** The End of Obligation Service can be found on the LES for enlisted personnel or on an officer's orders.

If release will be within 12 months of the anticipated closing date, one of the following is required:

- Evidence that the applicant has already re-enlisted or extended his or her period of active duty to a date beyond the date of loan closing, **OR**
- Verification of a valid offer of local civilian employment, **OR**
- A statement from the service member that he/she intends to reenlist or extend his or her active duty to a date beyond the 12-month period.

### ***PLUS***

- A statement from the applicant's commanding officer confirming that the applicant is eligible to reenlist or extend his or her active duty and has no reason to believe that such reenlistment or extension of active duty will not be granted.

**Note:** Continuation of Military Allowances (for flight pay, hazardous duty, etc.) must be determined to count as income. If continuation cannot be determined, these allowances can be used to offset short term debts (24 months or less).

### **Can Employment of Less Than 12 Months Be Considered As Qualifying Income?**

*(VA Lender's Handbook, section 4.02)*

Generally, employment less than 12 months is not considered stable and reliable. However, it may be considered stable and reliable if the individual facts warrant such a conclusion. Carefully consider:

- The employer's evaluation of the probability of continued employment (If provided).
- Whether the applicant's training and/or education equipped him or her with particular skills, which relate directly to the duties of his or her current position. Examples include nurse, medical technician, lawyer, paralegal, and computer systems analyst.

**Note:** If the probability of continued employment is high based on these factors, then the lender may give favorable consideration to including the income in total effective income.

## **ASSETS**

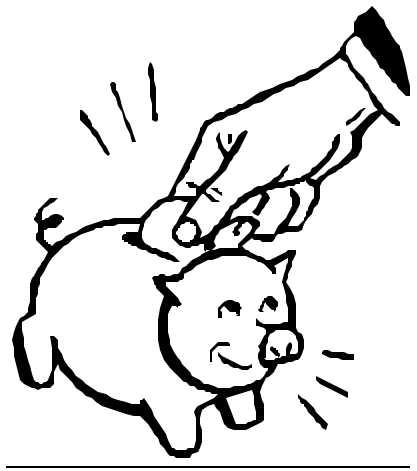
### **WHAT AMOUNT OF LIQUID ASSETS ARE REQUIRED FOR A VA LOAN?**

*(Lender's Handbook, section 4.04)*

The lender should verify all liquid assets claimed by the applicant required for:

- Closing costs or points, which are the applicant's responsibility and are not financed in the loan.
- The difference between the sales price and the loan amount, if the sales price exceeds the reasonable value established by VA.

**Note:** VA does not require the applicant to have additional cash to cover a certain number of mortgage payments, unplanned expenses, or other contingencies.



## **DEBTS AND OBLIGATIONS**

- All significant debts and obligations of the applicant **must be verified and rated**.
- The lender must obtain a credit report.

**Credit reports** used in analyzing VA loans must be either:

- Three file Merged Credit Reports (*MCR*), **OR**
- Residential Mortgage Credit Reports (*RMCR*).
- For automatically closed loans, the date of the credit report must be within 120 days of the date the note is signed (180 days for new construction)
- For prior approval loans, the date of the credit report must be within 120 days of the date the application is received by VA (180 days for new construction).

### **What If Debts And Obligations Listed On The Loan Application Do Not Appear On The Credit Report?** (*Lender's Handbook, section 4.05*)

For obligations not included on the credit report, which are revealed on the application or through other means, you must obtain a verification of deposit showing the obligation or other written verification directly from the creditor.

- You must also separately verify accounts listed as “will rate by mail only” or “need written authorization.”
- When a pay stub or leave and earnings statement indicates an allotment being withheld, you must investigate the nature of the allotment to determine whether the allotment is related to a debt.

### **What If There Are Discrepancies Found On The Credit Report?**

(*Lender's Handbook, section 4.05*)

**Resolve All Discrepancies.** If the credit report or deposit verification reveals significant debts or obligations, which were not divulged by the applicant, obtain clarification as to the status of such debts from the applicant, then verify any remaining discrepancies with the creditor.





### **Equal Credit Opportunity Act (ECOA)**

*(Lender's Handbook, section 4.05)*

The Equal Credit Opportunity Act (ECOA) prohibits requests for, or consideration of, credit information on a spouse who will not be contractually obligated on the loan except:

- If the applicant is relying on alimony, child support, or maintenance payments from the spouse (or former spouse), **OR**
- If the property is located in a community property state, VA requires consideration of the spouse's credit information (whether or not the spouse will be personally liable on the note and whether or not the applicant the spouse's income is considered).

### **How Can The Lender Verify Alimony And Child Support Obligations?**

*(Lender's Handbook, section 4.05)*

- The payment amount on any alimony and /or child support obligation of the applicant must be verified. This can usually be verified in the divorce decree. Payment often is noted on applicant's pay stub.
- Do not request documentation of applicant's divorce unless it is necessary to verify the amount of any alimony or child support liability indicated by the applicant.

If, however, in the routine course of processing the loan, the lender encounters direct evidence (e.g., in the credit report) that a child support or alimony obligation exists, make any inquiries necessary to resolve discrepancies and obtain the appropriate verification.

### **ANALYSIS OF DEBTS AND OBLIGATIONS**

*(Lender's Handbook, section 4.05)*

Deduct significant debts and obligations from total effective income when determining ability to meet the mortgage payments. Significant debts and obligations include:

- Debts and obligations with a remaining term of 10 months or more, and
- Accounts with a term less than 10 months that require payments so large as to cause a severe impact on the family's resources for any period of time.

### **What If A Married Veteran Wants To Obtain The Loan In His Or Her Name Only?**

*(Lender's Handbook, section 4.05)*

If a married veteran wants to obtain the loan in his or her name only, the veteran may do so without regard to the spouse's debts and obligations in a non-community property state. However, in community property states the spouse's debts and obligations must be considered even if the veteran wishes to obtain the loan in his or her name only. Also, if debts are assigned to an ex-spouse by a divorce decree, they will not be charged against a veteran borrower. This includes debts that are now delinquent.

### **APPLICANT AS CO-OBLIGOR ON ANOTHER'S LOAN**

*(Lender's Handbook, section 4.05)*

The applicant may have a contingent liability based on co-signing a loan. If there is evidence that the loan payments are being made by someone else, and there is no reason to believe that the applicant will have to participate in repayment of the loan, the lender may exclude the loan payments from the monthly obligations factored into the net effective income calculation in the loan analysis.

*Example:* Applicant cosigned for his daughter's car; however, she is making the payments. Request copies of 12 months of canceled checks. Likewise, if payments are being deducted from her pay, obtain copies of 12 months of pay stubs. Compare the amount of deduction with the amount of the payment reflected on the credit report.

### **PENDING SALE OF REAL ESTATE**

*(Lender's Handbook, section 4.05)*

Sale proceeds from the applicant's current home may be necessary to:

- Payoff the outstanding mortgage or other obligations.
- Make a down payment.
- Pay closing costs.

Obtain a copy of the sales contract and any applicable information that provides a reasonable basis for concluding the equity that will be realized from the sale will be sufficient.

### **SECONDARY BORROWING**

*(Lender's Handbook, sections 4.05 & 9.04)*

If the applicant plans to obtain a second mortgage simultaneously with the VA-guaranteed loan then the second mortgage payment must be included as a significant debt. With the second mortgage payment the veteran must not be placed in a substantially worse position than if the entire amount borrowed had been guaranteed by VA.

## **WHAT IS CAIVRS?**

*(Lender's Handbook, section 4.06)*

CAIVRS is an acronym for Credit Alert Interactive Voice Response System. It is a HUD-maintained computer information system that enables lenders to learn if an applicant has previously defaulted on a federally assisted loan from any of the following agencies:

- Department of Agriculture,
- Small Business Administration,
- Department of Education,
- HUD, and
- VA.

The VA default information includes:

- Overpayments on education cases,
- Overpayments on disability benefits income,
- Claims paid due to home foreclosures

***CAIVRS screening is required on all applicants, including co-obligors.***

## **WHAT IF CAIVRS SHOWS A DEBT?**

*(Lender's Handbook, section 4.06)*

An applicant cannot be considered a satisfactory credit risk if he or she is presently delinquent or in default on any debt to the Federal Government until the delinquent account has been brought current or satisfactory arrangements have been made between the applicant and the Federal agency. ***Refinancing of a delinquent VA Loan with an IRRRL satisfies this requirement.***

An applicant cannot be considered a satisfactory credit risk if he or she has a judgment lien against his or her property for a debt owed to the Government until the judgment is paid or otherwise satisfied.



## **HOW TO ANALYZE CREDIT**

*(Lender's Handbook, section 4.07)*

The applicant's past repayment practices on obligations are the best indicator of his or her willingness to repay future obligations. Emphasis should be on the applicant's overall payment patterns rather than isolated occurrences of unsatisfactory repayment.

## **ABSENCE OF CREDIT HISTORY**

*(Lender's Handbook, section 4.07)*

For applicants with no established credit history, base the determination on the applicant's payment record on utilities, rent, automobile insurance, etc.

Absence of credit history is not generally considered an adverse factor. It may result when:

- Recently discharged veterans have not had an opportunity to develop a credit history.
- Applicants have routinely used cash rather than credit.
- Applicants have not used credit since some disruptive credit event such as bankruptcy or debt pro-ration through consumer credit counseling.

**Note:** In these cases, develop evidence of timely payment of non-installment obligations such as rent and utilities since the disruptive credit event. For Bankruptcy cases, see "Bankruptcy" heading.

## **ADVERSE DATA**

*(Lender's Handbook, section 4.07)*

In circumstances not involving bankruptcy, satisfactory credit is generally considered to be reestablished after the veteran, or veteran and spouse, have made satisfactory payments for 12 months after the date of the last derogatory credit item.

If the applicant and/or spouse are determined to be satisfactory credit risks in spite of derogatory credit information, include an explanation of the basis for the determination.

*For unpaid debts or debts that have not been paid timely:*

- Pay-off of these debts after the acceptability of applicant's credit is questioned does not alter the unsatisfactory record of payment.
- Lenders may consider a veteran's claim of bona fide or legal defenses regarding unpaid debts except when the debt has been reduced to judgment.
- Account balances reduced to a judgment by a court must be either paid in full or subject to repayment plan with a history of timely payments.

## **BANKRUPTCIES AND PREVIOUS FORECLOSURES**

*(Lender's Handbook, section 4.07)*

### **CHAPTER 7 BANKRUPTCY**

Bankruptcies discharged more than 2 years ago may be disregarded. Bankruptcies discharged within the last 1 to 2 years require specific development. Obtain the following:

- Complete copies of all pleadings and discharge of the bankruptcy.
- Evidence that the applicant has a recent history of satisfactory consumer credit (after the bankruptcy).
- Evidence that the bankruptcy was caused by circumstances beyond the applicant's control.

### **CHAPTER 13 BANKRUPTCY**

Applicant must have 12 months' satisfactory payments. In addition, the lender must obtain a letter stating the Trustee or the Bankruptcy Judge approves of the new credit.

### **FORECLOSURES**

A credit history that reflects a foreclosure (or deed-in-lieu of foreclosure) does not in itself disqualify the loan.

- Develop complete information on the facts and circumstances of the foreclosure.
- Apply the guidelines provided for bankruptcies filed under Chapter 7.

If the foreclosure was on a VA guaranteed loan, determine whether or not the veteran has sufficient entitlement available for the new loan.

# AUTOMATED UNDERWRITING

VA has approved Freddie Mac's Loan Prospector, Fannie Mae's DU (and the pmiAura System for VA), and the CLUES System (for use with loans originated by Countrywide) automated underwriting systems (AUS) for use in connection with VA guaranteed home loans. These systems incorporate VA's credit standards and processing requirements.

## What Are The Documentation Requirements For Automated Underwriting Systems (AUSs)?

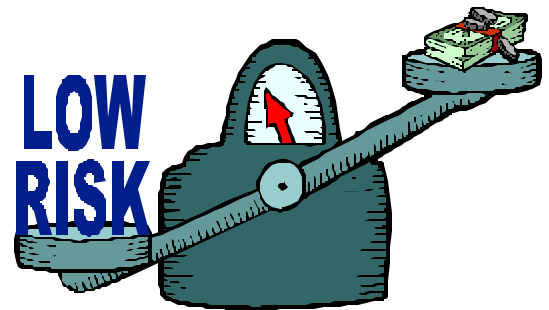
Documentation requirements are the same for AUS cases, except differences specified in Chapter 4; section 4.08 of the VA Lender Handbook.

- AUSs do not approve or disapprove any loan application. Rather, an AUS evaluates the risk associated with each application, and it remains the lender's decision to approve the loan or not.
- Lenders will continue to be responsible for ensuring that all VA requirements and guidelines are met for all loans.

## COMPENSATING FACTORS

- Excellent credit history
- Conservative use of consumer credit
- Minimal consumer debt
- Long-term employment
- Significant liquid assets
- Sizable down payment
- The existence of equity in refinancing loans
- Little or no increase in shelter expense
- High residual income
- Low debt-to-income ratio
- Tax credits for child care
- Tax benefits of home ownership

**Note:** Compensating factors CANNOT be used to offset unsatisfactory credit.





## **HOW TO COMPLETE VA FORM 26-6393, LOAN ANALYSIS**

In order to properly enter information on VA Form 26-6393, the underwriter must understand and apply the guidelines provided. Self-explanatory items are not discussed in this section.

### **Section C, Estimated Monthly Shelter Expenses**

It is important to estimate these expenses accurately because they will be deducted from monthly income to arrive at the balance available for family support.

Note: New construction property tax should be based on the entire new value instead of the land only value.

### **Section D, Debts and Obligations**

List **all known debts and obligations** of the applicant and spouse, including any alimony and/or child support payments. Place a check mark in the column next to any “significant” debt or obligation.

**Note:** Debts and obligations with less than 10 months remaining should be listed, but do not have to be counted, unless the payment would cause a severe impact on the family’s resources for any period of time.

### **Item 44, Balance Available for Family Support**

Enter the appropriate residual income amount from the table in the “guidelines” box. Residual income is the amount of net income remaining (after deduction of debts, obligations and monthly shelter expenses) to cover family living expenses such as food, health care, clothing, and gasoline.

### **Item 45, Debt-to-Income Ratio**

The ratio is determined by taking the sum of the principal and interest payment, homeowners’ and other assessments, (item 15, 16, 17, 18 and 21) and obligations to be deducted from income (item 41), divided by the total of gross salary or earnings (item 32) and other compensation or net income (item 39).

The ratio should be rounded to the nearest two digits and will be entered in item 45 of VA Form 26-6393.

### **Residual Income**

VA’s minimum residual income (balance available for family support) is a guide, and should not automatically trigger approval or rejection of a loan. Instead, consider residual income in conjunction with all other credit factors. An obviously inadequate residual income alone can be a basis for disapproving a loan.

**Note:** If residual income is marginal, look to other indicators such as the applicant's credit history, and in particular, whether and how the applicant has previously handled similar housing expense.

## Debt-to-Income Ratio

VA's debt-to-income ratio is a ratio of total monthly debt payments (housing expense, installment debts, etc.) to gross monthly income. *It is a guide and, as an underwriting factor, it is secondary to the residual income.* It should not automatically trigger approval or rejection of a loan. Instead, consider the ratio in conjunction with all other credit factors.

A ratio greater than 41 percent requires close scrutiny, *unless* the ratio is greater than 41% solely due to the existence of tax-free income, **OR** residual income exceeds the guideline by at least 20 percent.

If a loan is closed on an automatic basis with a ratio greater than 41%, the file must contain a statement justifying the reasons for approval, signed by the underwriter's supervisor, unless residual income exceeds the guideline by at least 20 percent. The statement must list the compensating factors justifying approval of the loan. (See Compensating Factors)

Table of Residual Incomes by Region For loan amounts of \$79,999 and below				
Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
over 5	Add \$75 for each additional member up to a family of 7			

For loan amounts of \$80,000 and above				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
over 5	Add \$80 for each additional member up to a family of 7			

**Note:** For loan applications in which either the borrower or the spouse is an active-duty service person, the residual income figures will be reduced by 5 percent for single applicants and 10% for applicants with families, if there is a clear indication that the borrower or spouse will continue to receive the benefits resulting from the use of nearby military-based facilities. This reduction may also be applied to retired military applicants when the property is located

reasonably near a military base or installation. (This reduction applies to both of the above tables.)

Key to Geographic Regions Used in the Residual Income Tables			
<b>Northeast</b>	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
<b>Midwest</b>	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin
<b>South</b>	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia
<b>West</b>	Alaska	Hawaii	New Mexico
	Arizona	Idaho	Oregon
	California	Montana	Utah
	Colorado	Nevada	Washington

## MAINTENANCE & UTILITY GUIDELINES

### Florida, Mississippi, Alabama

- A. FOR MAINTENANCE AND UTILITY COSTS:** multiply the living area of the property (square feet) by \$0.14.

$$\begin{array}{rcl}
 \text{Example:} & 1500 & \text{square feet} \\
 & \underline{\times .14} & \text{per square foot per month} \\
 & 210.00 & \text{per month}
 \end{array}$$

The above costs may be reduced by up to 20% if the property has been rated as an energy efficient property by the utility company or has energy savings features such as a heat pump, insulated windows, maintenance free exterior, etc.

## **CLOSING PACKAGE**

### **CLOSING SUMMARY**

**Objective:** To provide quick and correct processing of the Loan Guaranty Certificate.

The following directives apply to the verification, documentation and processing of closed VA Loans. All questions and points of clarification should be referred to Chapter 8 of the VA Lender's Handbook or our web site: <http://www.homeloans.va.gov/handbook.htm>

### **ALLOWABLE FEES AND CHARGES**

The following list of allowable items is published in 38 CFR 36.4312 and applies to all VA home loans.

1. VA Appraisal Fee
2. Appraiser Compliance Inspection
3. Recording Fees
4. Credit Report
5. Escrow Account (Taxes & Insurance)
6. Initial Hazard Insurance Policy
7. Survey
8. Title Examination and Title Insurance
9. VA Funding Fee
10. Authorized State and Local Fees

Additionally, the lender has the option of charging a flat Origination Fee up to 1%, or charging actual costs for the unallowable items listed below, so long as the total does not exceed 1% of the loan amount.

Assignment Fees  
Notary Fees  
Warehousing Fees  
Commitment Fees  
Underwriting Fees  
Photo Charges  
Amortization Fees  
Appraisal Fee on IRRRL

Application Fees  
Tax Service Fees  
Builder's 10 Year Home Warranty  
Closing or Settlement Fees  
Document Preparation Fees  
Attorney Fees

**Note:** [Termite Reports and Courier Fees are allowable charges to veterans only on refinances.](#)



## VA FUNDING FEE REQUIREMENT

The Law requires that VA be paid a funding fee on guaranteed loans. The only exceptions are loans made to:

- Veterans receiving VA compensation for Service-connected disabilities.
- Veterans who would be entitled to receive compensation if they were not receiving retirement pay.
- Loans made to surviving spouses of veterans who died in service or from service-connected disabilities.

Veterans who served on active duty will pay a 2% funding fee on their first VA loan and 3% on all future loans for the purchase of a home or cash-out refinances.

A reservist will pay 2.75% on his/her first home and 3% on all future loans for the purchase of a home or cash-out refinances.

A down payment will reduce the amount of the funding fee (see chart).

The funding fee on VA Assumptions and Interest rate Reduction Refinance Loans is currently 0.5%. This rate remains unchanged regardless of the number of times it is used.

VA funding fee must be paid within 15 days of closing.

The funding fee may be financed into the loan amount (over and above the appraised value of the property).

**VA FUNDING FEE SCHEDULE**

<b>Loan Type</b>	<b>Required Down Payment</b>	<b>Active Duty Personnel and Veterans</b>	<b>National Guard and Reservists</b>
<b>First Time Use of VA Loan Guaranty Benefits</b>			
Purchase/Construction	0% down	2.00%	2.75%
	5% down	1.50%	2.25%
	10% down	1.25%	2.00%
Regular Cash Out Refinance		2.00%	2.75%
<b>Second or subsequent use of VA Loan Guaranty Benefits</b>			
Purchase/Construction	0%	3.00%	3.00%
	5%	1.50%	2.25%
	10%	1.25%	2.00%
Regular Cash Out Refinance		3.00%	3.00%

## VA FUNDING FEE SCHEDULE (CONT'D)

Loan Type	Active Duty Personnel and Veterans	National Guard and Reservists
All Interest Rate Reduction Refinance Loans	0.50%	0.50%
Native American Direct Loans	1.25%	1.25%
Manufactured (Mobile) Home Loans	1.00%	1.00%
Assumptions*	0.50%	0.50%
Vendee Loans	2.25%	2.25%

\*This pertains to loans originally closed on or after March 1, 1988. There is no funding fee required for assumption of loans closed prior to March 1, 1988.

## MODIFIED GUARANTY SUBMISSION PROCEDURE

Lenders must submit the items listed below when requesting issuance of a Loan Guaranty Certificate from VA:

### **Purchase -**

- VA Form 26-0286, **Loan Summary Sheet**.
- **Original VA Certificate of Eligibility**, if not previously submitted in connection with a prior approval loan application.
- Evidence of payment of funding fee OR evidence of exemption.
- Evidence of Value.
  - ❖ **Certificate of Reasonable Value (CRV)**, OR
  - ❖ **Master Certificate of Reasonable Value (MCRV)** with front page and options pages highlighted to pertain to the specific property & the Compliance Inspection Report, **OR**
  - ❖ **Lender's Notice of Value (NOV)** under LAPP, as applicable.
- VA Form 26-1820, **Report and Certification of Loan Disbursement**.
- **HUD-1, Settlement Statement**.
- Name and mailing address of lender to be used by VA when requesting file for full review or post audit. (Include email address of lender, if available.)

## **MODIFIED GUARANTY SUBMISSION PROCEDURE (CONT'D)**

### **Interest Rate Reduction Refinance Loan (IRRRL) -**

- VA Form 26-0286, **Loan Summary Sheet.**
- **Original VA Certificate of Eligibility OR E-mail confirmation of veteran's active loan.**
- Evidence of payment of funding fee OR evidence of exemption.
- Statement signed by the veteran acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate
- VA Form 26-8923, **Interest Rate Reduction Refinancing Loan Worksheet.**
- VA Form 26-1820, **Report and Certification of Loan Disbursement.**
- **HUD-1, Settlement Statement.**
- VA Form 26-0503, **Federal Collection Policy Notice** OR VA Form 26-1802a **HUD/VA Addendum to Uniform Residential Loan Application.**
- Lender's certification that the prior loan was current (not more than 30 days or more past due) at the time of loan closing.
- If the loan was submitted more than 60 days after loan closing, a statement signed by a corporate officer which identifies the loan and provides a specific reason why the loan was not submitted on time.
- Name and mailing address of lender to be used by VA when requesting file for full review or post audit. (Include email address of lender, if available.)

*VA field stations may, at their discretion, terminate a lender's participation in this modified guaranty submission procedure if that lender demonstrates an ongoing inability or unwillingness to be timely in responding to requests from VA.*

## **QUALITY REVIEW PROCEDURES**

VA field stations will identify cases selected for full review or other audit within 30 days of receipt. Lenders will then be notified of selected cases by letter or e-mail. Lenders must forward the complete copy of the original package to the requesting VA office within 15 days of receiving notification.





## APPENDIX

### MOST FREQUENTLY USED VA FORMS FOR MORTGAGE LOAN ORIGATION AND THEIR USES

#### VA FORM 26-0285

##### **VA Transmittal List**

Lists all documents required on closed loans. Documents vary according to whether the loan was automatically closed, prior approval, or an Interest Rate Reduction Refinancing Loan. Lender signs the form to certify that all applicable documents are complete and have been submitted.

**References:** “How to Report Loan Closing and Request Guaranty” in section 5.04, “How to Report Loan Closing and Request Guaranty” in Section 5.05, “Procedures for Automatic Processing of IRRRLs” in Section 6.01, and “How to Report Loan Closing and Request Guaranty” in Section 6.02

#### VA FORM 26-0286

##### **VA Loan Summary Sheet**

Lender completes the form with basic information on each closed loan. VA uses the information to establish internal loan records and assist in issuing the Loan Guaranty Certificate.

**References:** “Who is the Loan Guaranty Certificate Issued to?” in Section 1.08, “How to Report Loan Closing and Request Guaranty” in Section 5.04, “How to Report Loan Closing and Request Guaranty” in Section 5.05, “Procedures for Automatic Processing of IRRRLs” in Section 6.01, and “How to Report Loan Closing and Request Guaranty” in Section 6.02

#### VA FORM 26-0500

## **Notification to Mortgagee of Funding Fee Shortage**

Bills lender for any shortage in the VA funding fee paid on a particular loan.

**References:** “Funding Fee Receipts” in Appendix C

## **VA Forms and Their Uses, Continued**

### **VA FORM 26-0546**

#### **Assessment of Late Fee**

Bills lender for late fee if the funding fee was paid beyond 15 days after loan closing.

**References:** “Funding Fee Receipts” and “Late Fees and Interest” in Appendix C

### **VA FORM 26-0547**

#### **Assessment of Late Fee and Interest**

Bills lender for late fee plus interest if the funding fee was paid beyond 30 days after loan closing.

**References:** “Funding Fee Receipts” and “Late Fees and Interest” in Appendix C

### **VA FORM 26-0548**

#### **Receipt of Late Fee and Accrued Interest**

Provided to lender as proof of payment of late fee and interest on late VA funding fee payment.

**References:** “Funding Fee Receipts” and “Late Fees and Interest” in Appendix C

### **VA FORM 26-0551**

#### **Debt Questionnaire**

Veteran-borrower completes and signs the form to provide information on prior VA loans and potential indebtedness to the Federal Government. All loan submissions must include either a completed, signed VA Form 26-0551 or URLA.

**References:** “Procedures for Automatic Processing of IRRRLs” in Section 6.01 and “How to Report Loan Closing and Request Guaranty” in Section 6.02

## **VA FORM 26-0592**

### **Counseling Checklist for Military Homeowners**

Active duty military borrowers and their lenders must sign this form to certify that the borrower has received counseling on homeownership and the loan obligation.

**References:** “Fulfill Requirements for Active Duty Members” in Section 5.02, “Before Requesting Prior Approval” and “How to Request Prior Approval” in Section 5.04, and “How to Report Loan Closing and Request Guaranty” in Section 5.05

## **VA Forms and Their Uses, Continued**

### **VA FORM 26-1802A**

### **HUD FORM 92900-A**

HUD/VA Addendum to Uniform Residential Loan Application (URLA)

Veteran-borrower signs the addendum to acknowledge certain statutory and regulatory information and make required certifications. It is required on all loans except Interest Rate Reduction Refinancing Loans.

**References:** “The Certification” in Section 3.05, “How to Request Prior Approval” in section 5.04, and “How to Report Loan Closing and Request Guaranty” in Section 5.05

### **VA FORM 26-1805**

### **VA Request for Determination of Reasonable Value/HUD Application for Property Appraisal and Commitment**

Used to request VA Form 26-1843, Certificate of Reasonable Value, for existing property or individual proposed construction. Check with the local VA office for procedures.

**References:** Section 13.05, and Section 13.10

### **VA FORM 26-1817**

Request for Determination of Loan Eligibility – Unmarried Surviving Spouses

Application for VA eligibility used by an unremarried surviving spouse of a veteran who died as a result of service or service-connected causes.

**Reference:** “Application for Unremarried Surviving Spouses” in Section 2.03

### **VA FORM 26-1820**

## **Report and Certification of Loan Disbursement**

Used to report all closed home loans (both automatic and prior approval) to VA and request guaranty.

**References:** Section 1.08, “The Certification” in Section 3.05, “How to Request Prior Approval” and “Conditional Commitments” in Section 5.04, “How to Report Loan Closing and Request Guaranty” in Section 5.05, “Procedures for Automatic Processing of IRRRLs” in Section 6.01, and “How to Report Loan Closing and Request Guaranty” in Section 6.02

## **VA Forms and Their Uses, Continued**

### **VA FORM 26-1839**

Compliance Inspection Report

Used by the VA compliance inspector to report property inspection results required by VA Form 26-1843, Certificate of Reasonable Value.

**References:** “General Procedures” in Section 9.09

### **VA FORM 26-1843**

#### **Certificate of Reasonable Value (CRV)**

Indicates the VA-established reasonable value of the property. Also indicates the validity period and any special conditions.

**References:** “How to Request Prior Approval” and “Changes Occurring After Issuance of the Certificate of Commitment” in Section 5.04, “How to Report Loan Closing and Request Guaranty” in Section 5.05, “Borrower Notice on the CRV/NOV” in Section 7.03, “Procedures” in Section 7.05, “Maximum Loan Amount and Downpayment Required” and “Other Requirements” in Section 7.06, Section 7.10, “Itemized Fees and Charges” in Section 8.02, and “Effect of Title Limitations on Reasonable Value” in Section 7.02

### **VA FORM 26-1843A**

#### **Master Certificate of Reasonable Value (MCRV)**

Indicates the VA-established reasonable values for projects involving the proposed construction of five or more similar properties. Include a highlighted copy of the form with each loan submission in the subject development.

**References:** “How to Request Prior Approval” in Section 5.04, “How to Report Loan Closing and Request Guaranty” in Section 5.05

**VA FORM 26-1844**

**HUD FORM 92577**

**Request for Acceptance of Changes in Approved Drawings and Specifications**

Used by builders, sellers and others to request changes in approved drawings and specifications.

**References:** “How to Request Prior Approval” in Section 5.04 and “How to Report Loan Closing and Request Guaranty” in Section 5.05

## **VA Forms and Their Uses, Continued**

**VA FORM 26-1847**

**Request for Postponement of Offsite or Exterior Onsite Improvements-Home Loan**

Identifies any postponed property improvements. Contains the veteran’s agreement to have funds escrowed for completion of the improvements at a later date.

**References:** “General Procedures” and “Letters of Credit” in Section 9.09

**VA FORM 26-1849**

**Escrow Agreement for Postponed Exterior Onsite Improvements**

Actual escrow agreement which describes work to be completed on exterior onsite improvements, funds escrowed, and parties to agreement (usually builder, lender and escrow agent).

**References:** “General Procedures” and “Letters of Credit” in Section 9.09

**VA FORM 26-1859**

**HUD FORM 92544**

**Warranty of Completion of Construction in Substantial Conformity with Approved Plans and Specifications**

Warranty that improvements have been completed in substantial conformity with the plans and specifications reviewed and accepted by VA.

**References:** “Builder’s Warranty Coverage” in Section 10.08, “Details” in Section 10.09, “Table of NOV Conditions & Requirements” in Section 13.06, and in Chapter 13, Exhibit 1.

### **VA FORM 26-1866**

#### **Certificate of Commitment**

VA’s commitment to the lender that it will guarantee a loan submitted by the lender for VA’s prior approval as long as the loan conforms to that presented in the prior approval submission.

**References:** Sections 5.04 and 6.02

### **VA FORM 26-1880**

#### **Request for Determination of Eligibility and Available Loan Guaranty Entitlement**

Veteran’s application for a Certificate of Eligibility (COE) and/or restoration of entitlement. The veteran must submit proof of military service or any existing COE with the application.

**References:** Section 2.03 and “How to Apply for Restoration” in Section 2.06

## **VA Forms and Their Uses, Continued**

### **VA FORM 26-1899**

#### **Loan Guaranty Certificate (LGC)**

Evidence of VA’s guaranty of a particular loan (contingent upon loan eligibility and lender compliance with law and regulations).

**References:** Sections 3.11, 3.12 and 5.07

### **VA FORM 26-6363**

#### **Endorsement to Certificate of Reasonable Value**

Used for endorsements/changes to VA Form 26-1843 (CRV). May be used to change the value, validity period, conditions, or correct the identification of the property.

**References:** “How to Request Prior Approval” in Section 5.04, “How to Report Loan Closing and Request Guaranty” in Section 5.05,

### **VA FORM 26-6378**

### **HUD FORM 92606**

## **Escrow Agreement for Postponed Offsite Improvements**

Actual escrow agreement which describes work to be completed on offsite improvements, funds escrowed, and parties to agreement (usually builder, lender and escrow agent).

**References:** “General Procedures” and “Letters of Credit” in Section 9.09

### **VA FORM 26-6393**

#### **Loan Analysis**

Used by underwriter to analyze applicant’s income, expenses and creditworthiness, and indicate the credit decision.

**References:** Sections 4.08 and 4.09

### **VA FORM 26-6681**

#### **Application for Fee Personnel Designation**

Used by fee appraisers and compliance inspectors to apply for the VA fee panel. Also used by lenders when requesting approval of the staff appraisal reviewer for LAPP authority.

## **VA Forms and Their Uses, Continued**

### **VA FORM 26-8261**

#### **Certificate of Veteran Status**

Issued by VA as evidence of a veteran’s eligibility for better terms on FHA loans.

**Reference:** Section 2.08

### **VA FORM 26-8261A**

### **HUD FORM 92950**

#### **Request for Certificate of Veteran Status**

Used to apply for VA Form 26-8261 in order to obtain better terms on FHA loans.

**Reference:** Section 2.08

### **VA FORM 26-8320**

#### **Certificate of Eligibility for Loan Guaranty Benefits (COE)**

Issued as evidence that the named individual is eligible for a VA home loan based on military service. Shows the amount of available entitlement.

**Reference:** Chapter 2

### **VA FORM 26-8320A**

#### **Certificate of Eligibility for Loan Guaranty Benefits (Reserves/National Guard) (COE)**

Issued as evidence that the named individual is eligible for a VA home loan based on service in the Reserves or National Guard. Shows the amount of available entitlement.

**Reference:** Chapter 2

### **VA FORM 26-8375**

### **HUD FORM 92052**

#### **Termite Soil Treatment Guarantee**

Executed by builder and pest control applicator as evidence that the soil has been treated for subterranean termites. Warrants against termite infestation for a 5 year period.

## **VA Forms and Their Uses, Continued**

### **VA FORM 26-8497**

#### **Request for Verification of Employment (VOE)**

Used to verify employment and income of loan applicants who are not self-employed. May be used to verify previous employment.

**References:** "Income from Non-Military Employment" and "Active Military Applicant's Income" in Section 4.02

### **VA FORM 26-8497A**

#### **Request for Verification of Deposit**

Used to verify funds on deposit with applicant's financial institution. Also used to verify loans or other credit extended to the applicant.

**Reference:** Section 4.04



## **VA FORM 26-8736**

### **Application for Authority to Close Loans on an Automatic Basis - Nonsupervised Lenders**

Nonsupervised lender's application for automatic authority.

**References:** Sections 1.05 and 1.06, and "Extension of Authority (Geographic)" in Section 1.07

## **VA FORM 26-8736A**

### **Nonsupervised Lender's Nomination and Recommendation of Credit Underwriter**

Used by a nonsupervised lender to request VA approval of a credit underwriter.

**References:** "Procedures and Criteria for Qualification" in Section 1.05, and "Underwriter Approval" in Section 1.07

## **VA FORM 26-8791**

### **VA Affirmative Marketing Certification**

Certification by a builder or other party requesting a VA appraisal that they will not decline to sell the property based on the race, color, religion, sex or national origin of the purchaser.

**References:** "VA Regulations at 38 CFR 36.4363" in Section 17.08

## **VA Forms and Their Uses, Continued**

## **VA FORM 26-8812**

### **VA Equal Opportunity Lender Certification**

Lender's certification to VA that it practices equal opportunity in housing.

**References:** Sections 1.02 and 1.03

## **VA FORM 26-8850**

## **HUD FORM 92053**

### **Wood Destroying Insect Information - Existing Construction**

Used by the pest control operator to report findings regarding inspection of a dwelling for the presence of wood destroying insects. Borrower signs form to acknowledge inspection results.

### **VA FORM 26-8923**

#### **Interest Rate Reduction Refinancing Loan Worksheet**

Used to calculate the VA funding fee, loan origination fee, loan discount, and maximum loan amount for an IRRRL.

**References:** “Maximum Loan” and “Procedures for Automatic Processing of IRRRLs” in Section 6.01, and “Prior Approval Submission” and “How to Report Loan Closing and Request Guaranty” in Section 6.02

### **VA FORM 26-8937**

#### **Verification of VA Benefit-Related Indebtedness**

Required on all loans. Lender submits the form to VA to identify any VA benefit-related indebtedness that the applicant may owe to VA. Also used to verify a veteran’s exemption from the VA funding fee due to service-connected disability.

**References:** “Debt Related to VA Benefits” in Section 4.06 and “How to Verify Exempt Status” in Section 8.08

### **VA FORM 26-8998**

#### **Acknowledgment of Receipt of Funding Fee From Mortgagee**

Provided to lender as proof of payment of the VA funding fee on a particular loan.

**Reference:** “Funding Fee Receipts” in Appendix C

## **VA Forms and Their Uses, Continued**

### **VA FORM 26-8999**

#### **Acknowledgment of Receipt of Funding Fee Shortage From Mortgagee**

Provided to lender as proof of payment of a VA funding fee shortage on a particular loan.

**Reference:** “Funding Fee Receipts” in Appendix C

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## **NON-VA FORMS OFTEN USED IN VA LOAN GUARANTY PROGRAM**

## **DD FORM 214**

### **Certificate of Release or Discharge From Active Duty**

Provided to veteran by military. Used as proof of military service to establish eligibility for VA home loan benefits. Submit to VA as attachment to VA Form 26-1880.

**Reference:** Section 2.04

## **FREDDIE MAC FORM 65**

## **FANNIE MAE FORM 1003**

### **Uniform Residential Loan Application (URLA)**

Industry-accepted form used as the borrower's application for VA or other residential loans.

**References:** "How to Request Prior Approval," "Certificate of Commitment" and "Changes Occurring After Issuance of the Certificate of Commitment" in Section 5.04, and "How to Report Loan Closing and Request Guaranty" in Section 5.05

## **FREDDIE MAC FORM 70**

## **FANNIE MAE FORM 1004**

### **Uniform Residential Appraisal Report (URAR)**

Industry-accepted form used by VA Fee appraisers to complete all property appraisals (except manufactured homes).

**References:** "How to Request Prior Approval" in Section 5.04 and "How to Report Loan Closing and Request Guaranty" in Section 5.05

## **Non-VA Forms Often Used In VA Loan Guaranty Program, Continued**

## **HUD-1**

### **Settlement Statement**

Required by RESPA for most real estate settlements. Discloses the parties to the transaction and the costs, fees, charges, and disbursements incident to settlement of the loan.

**References:** “How to Report Loan Closing and Request Guaranty” in Section 5.04, “How to Report Loan Closing and Request Guaranty” in Section 5.05, “Procedures for Automatic Processing of IRRRLs” in Section 6.01, and “How to Report Loan Closing and Request Guaranty” in Section 6.02

## **SF 180**

### **Request Pertaining to Military Records**

Used by veterans who cannot locate their military records to request their records (such as a DD 214) from the military.

**Reference:** “Assistance in Obtaining Required Proof of Service” in Section 2.04

## **ACRONYMS**

<b>ARM</b>	Adjustable Rate Mortgage
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<b>BAH</b>	Basic Allowance for Housing
<b>BAQ</b>	Basic Allowance for Quarters
<b>BAS</b>	Basic Allowance for Subsistence
<b>CAIVRS</b>	Credit Alert Interactive Voice Response System
<b>C&amp;V</b>	Construction and Valuation Section (Appraisals)
<b>COE</b>	Certificate of Eligibility
<b>CRV</b>	Certificate of Reasonable Value
<b>CVS</b>	Certificate of Veteran Status
<b>ETS</b>	Expiration of Term of Service
<b>GPM</b>	Graduated Payment Mortgage
<b>IRRRL</b>	Interest Rate Reduction Refinance Loan
<b>LAPP</b>	Lender Appraisal Processing Program
<b>LES</b>	Leave and Earnings Statement
<b>LGC</b>	Loan Guaranty Certificate
<b>MCC</b>	Mortgage Credit Certificate
<b>MCRV</b>	Master Certificate of Reasonable Value
<b>NOV</b>	Notice of Value
<b>PITI</b>	Principal, Interest, Taxes, and Insurance
<b>POA</b>	Power of Attorney
<b>PUD</b>	Planned Unit Development
<b>RLC</b>	Regional Loan Center
<b>ROL</b>	Release of Liability
<b>SOE</b>	Substitution of Entitlement
<b>SOS</b>	Statement of Service
<b>URLA</b>	Uniform Residential Loan Application
<b>VA</b>	Department of Veterans Affairs
<b>VAAS</b>	Veterans Appraisal Assignment System
<b>VHA</b>	Variable Housing Allowance
<b>VOD</b>	Verification of Deposit
<b>VOE</b>	Verification of Employment

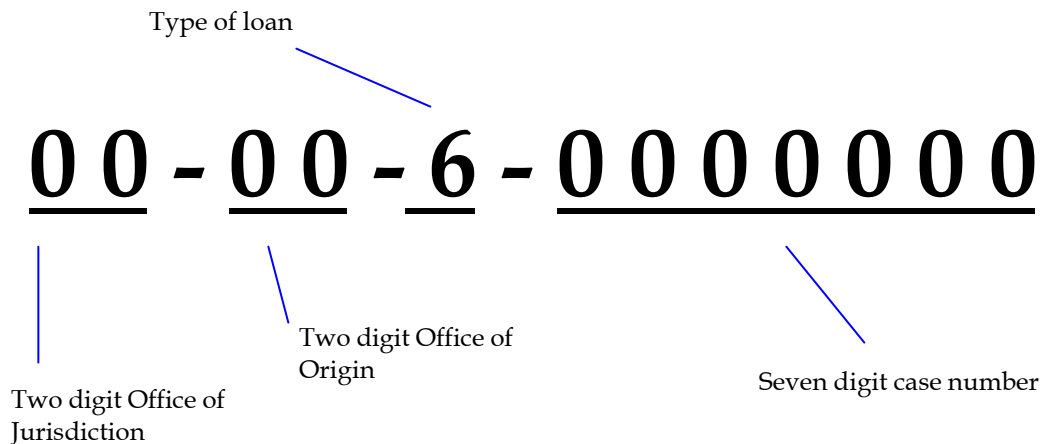
## Office of Jurisdiction Codes

State	Number	State	Number
AK	63	NC	18
AL	22	ND	35
AR	50	NE	34
AZ	45	NH	73
CA	43	NJ	09
CA	44	NV	45
CA	77	NM	40
CO	39	NY	06
CT	73	NY	07
DE	13	OH	25
DC	72	OK	51
FL	17	OR	48
GA	16	PA	10
HI	59	PA	11
IA	33	PR	55
ID	47	RI	73
IL	28	SC	19
IN	26	SD	35
KS	52	TN	20
KY	27	TX	49
LA	21	TX	62
MA	73	UT	41
ME	73	VA	14
MD	13	VT	73
MI	29	WA	46
MN	35	WI	30
MO	31	WV	14
MS	23	WY	39
MT	39		

## REGIONAL LOAN CENTERS

REGIONAL LOAN	JURISDICTION	ELIGIBILITY CENTER	MAILING ADDRESS	TELEPHONE NUMBER
MANCHESTER	CT, MA, ME, NH, NY, & VT	WINSTON-SALEM	VA REGIONAL LOAN CENTER 275 CHESTNUT STREET MANCHESTER, NH 03101	1-800-827-6311
CLEVELAND	DE, IN, MI, NJ, OH, & PA	WINSTON-SALEM	CLEVELAND REGIONAL LOAN CENTER 1240 EAST NINTH STREET CLEVELAND, OH 24011	1-800-729-5772
ROANOKE	DC, KY, MD, VA, & WV	WINSTON-SALEM	ROANOKE REGIONAL LOAN CENTER 210 FRANKLIN ROAD SW ROANOKE, VA 24011	1-800-933-5499
ATLANTA	GA, NC, SC, & TN	WINSTON-SALEM	VA REGIONAL LOAN CENTER 1700 CLAIRMONT ROAD DECATUR, GA 30033	1-888-768-2132
ST, PETERSBURG	AL, FL, & MS	WINSTON-SALEM	VA REGIONAL CENTER P. O. BOX 1437 ST. PETERSBURG, FL 33731-1437	1-888-611-5916
ST. PAUL	IL, IA, KS, MN, MO, NE, ND, SD, & WI	LOS ANGELES	VA REGIONAL LOAN CENTER 1 FEDERAL DRIVE FORT SNELLING ST. PAUL, MN 55111-0450	1-800-827-0611
HOUSTON	AR, LA, OK, & TX	LOS ANGELES	VA REGIONAL LOAN CENTER 6900 ALMEDA ROAD HOUSTON, TX 77030	1-888-232-2571
DENVER	AK, CO, ID, MT, NM, OR, UT, WA, & WY	LOS ANGELES	VA REGIONAL LOAN CENTER BOX 25126 DENVER, CO 80225	1-888-349-7541
PHOENIX	AZ, CA, & NV	LOS ANGELES	VA REGIONAL LOAN CENTER 3225 N. CENTRAL AVE PHOENIX, AZ 85012	1-888-869-0194

## THE VA LOAN NUMBER



VA loan numbers contain 12 digits with three hyphens to separate the 4 categories of the 12 digits. The first 2 digits of the VA loan numbers refer to the VA “Office of Jurisdiction” or “OJ” and indicate a number assigned by VA to its office which has jurisdiction over the location of the home property. After the 2 “OJ” digits, the VA loan number contains a hyphen and a second set of 2 digits which are labeled “Office of Origin” or “OO” and indicate a number assigned by VA to its office where the appraisal was initially requested and the loan was originated. For example, if a VA loan was originated for a home in Dallas and is still serviced by the VA office in Houston, its VA number starts with “49-49-n-nnnnnnn” because “49” is VA’s number for its Construction & Valuation office in Waco.

VA began to transfer the responsibility for loan servicing and the corresponding jurisdiction for consolidation of certain loans from their initial office of origin and jurisdiction to Regional Loan Centers. VA has not yet changed the numbers of the “OJ” to reflect the transfer of the jurisdiction. In other words, Waco VA loans transferred for servicing to the VA Regional Loan Center in Houston (office number 62) still begin with “49-49-” rather than “62-49-.” However, the numbering could change in the future.

After the 2 “OO” digits, the VA loan number contains a hyphen and a single digit to indicate type of loan in terms of VA’s legal or financial responsibilities. The 6 that is currently used means the loan was guaranteed by VA to an eligible veteran who purchased the property with the loan from a mortgage lender after January 1, 1990. After the single digit for the loan type, VA loan numbers contain a hyphen and a 7-digit serial number assigned at time of appraisal request. Use of all 7 digits are currently used in only a small number of offices, most VA numbers still need a zero followed by 6 numbers in this last numeric portion of the VA loan number.